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assumption correct that the "working people," whom Mr. Beard and his fellows address, cannot be persuaded into swallowing the information except in homeopathic doses, nor even then unless the pills are sugared with rhetorical phrases?

Of course the bulk of the book is compilation, with the references omitted. Emphasis is placed upon the social evils produced by the factory system in its earlier stages, and the difficulties thrown in the way of remedial legislation, not only by interested business men, but also by economists enamored of *laissez-faire* doctrines. In the last chapter, upon "The Industrial Problem from the Standpoint of Mechanics and Social Needs," the writer shows that he is one of those who feel that the ethical element has been unduly neglected in the development of political economy. Its professors have confined their attention too exclusively to "statements of what really is," and have failed "to show us 'what ought to be' and how we can build on 'what is' to attain it." A reformation of the science is needed, in which the keynote shall be a more moral conception of wealth. Mr. Beard suggests that this term ought to mean "natural products secured, re-shaped, and transported so as to be capable of satisfying *healthful, normal*, human wants." Of course, he would not stop with a reformation of the science, but regard this merely as a preliminary to a reformation of society, to the end that "the energy and wealth wasted in an irrational system may be saved to humanity, and that the bare struggle for a living may not occupy the best hours of the workers's lives."

WESLEY C. MITCHELL.

Il Costo di Produzione. By P. JANNACCONE. Turin: Unione Tipografico-Editrice, 1901. 8vo, pp. xv + 365.

OF late years the Italian economists have been giving us a long series of elaborate monographs upon theoretical subjects of fundamental importance and great difficulty. To name but a few, we have had a discussion of monopoly price from Garelli and one of the rent of mines from Einaudi, a treatise on consumption from Cossa and one on production from Graziadei, studies of interest from Graziani and of wages from Musco and Ricca-Salerno. Jannaccone's *Cost of Production* is one of the latest additions to the list. To say that it is a worthy member of the series is perhaps fainter praise than the book deserves. Certainly it possesses the merits characteristic of its kin — exhaustive

discussion of many aspects of the subject, and cosmopolitan acquaintance with the literature. On the other hand one can hardly deny that it likewise resembles them in diffuseness and in a certain over-elaborateness of analysis that savors of pedantry. A high degree of originality of thought or freshness of treatment cannot be claimed for many of the series, and if this particular member lacks such merits the reader will not be seriously disappointed. Indeed, one sometimes gets the impression that originality is a virtue less esteemed among the modern Italians than erudition. Apparently they are less intent upon contributing new ideas to the discussion than upon furnishing their students with an encyclopaedic digest of English, German, French, and American opinion past and present, which shall restate in diluted form currently accepted doctrines upon all possible topics. As such a summary of the discussion upon cost Dr. Jannaccone's monograph has decided merits.

The book begins in conventional fashion with a chapter entitled "The Development of the Theory of Cost of Production." This starts with the Physiocrats and comes down to Loria, Marshall, Patten, and Hadley, and deals not only with the greater lights but also with such less familiar men as Baudeau and Bailey. The sketch is learned and useful, but at one point the writer's erudition failed him, or else his desire for a symmetrical discussion betrayed him into a misinterpretation. Say and Ricardo, he tells us, stand for the elaboration of two contradictory conceptions of cost contained in the *Wealth of Nations*. Say, taking his cue from the chapter upon the "Component Parts of Price," developed cost as a complex of several unlike elements. On the other hand, Ricardo took as his starting point the proposition that "what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it," and developed this into his ingenious theory that cost may be reduced to terms of labor only. Of course, this has long been the vulgar interpretation of Ricardo, and not long ago it was endorsed by so circumspect a critic as Professor Ashley. But, as has been pointed out frequently, though color is given it by Ricardo's own careless phraseology, a careful study of his first chapter in the "Treatise" inclines one against it, and a reading of his letters shows that he expressly repudiated such ideas. How could Jannaccone reconcile his interpretation of Ricardo with the following passage, for example?

After the best consideration that I can give to the subject, I think that there

are two causes which occasion variations in the relative value of commodities: first, the relative quantity of labor required to produce them; second, the relative times that must elapse before the result of such labor can be brought to market.¹

This seems to be as explicit a repudiation of the doctrine imputed to Ricardo as could well be put into a single sentence, and half a dozen equally decisive passages might be cited. Wide as Jannaccone's reading has been, it has apparently not included these letters.

In the second book the point of view is shifted from theory to practice. Following Ure, Babbage, Marx, Schultze-Gävernitz, and Taylor, the writer shows how intricate is the task of calculating cost per unit of product in a modern industrial establishment. His division of expenses into special and general seems at first to be another version of Marshall's distinction between prime and supplementary costs; but there is this important difference, that the expenditures for fuel, wear and tear of machinery, etc., which vary with the rate of operation, are included among the general costs. For this reason Jannaccone's division is much less useful in the investigation of many practical problems; *e. g.*, it has little significance when one is trying to explain why men are sometimes willing to make and sell goods at less than the total cost of producing them. But, curiously enough, Jannaccone finds fault with Marshall's distinction precisely for this reason, that it does not represent accurately the distinction in the mind of the business manager. This reproach is due to his narrow understanding of the phrase "prime cost" as including absolutely nothing but wages, expenditure for raw material, and extra wear and tear of plant (p. 351). It must be admitted that the brevity of the passage in which Marshall explains his use of this term (p. 435, 4th ed.) affords a measure of justification for such a reading. Nothing is said explicitly of the cost of fuel and similar variable expenses, and it is therefore possible to assume that they belong among the supplementary costs — indeed, the turn of the sentences may even seem to imply this. But does not the way in which the distinction is used make it abundantly clear that the cost of coal, to take the most important item, is conceived of as included in the prime cost when the amount consumed varies with the rate of operation? Indeed, ought we not to understand the fuel burned to be part of "the raw material used in making the commodity?"

From this study of cost from the bookkeeper's point of view the

¹ *Letters to McCulloch*, p. 65.

writer passes on to the statistical investigations made by the American Bureau of Labor into the cost of producing coal, iron, steel, textiles, etc. These figures are exhibited in considerable detail, and a chapter is devoted to the study of the differences which are shown to exist in the costs of producing the same article in different factories and different countries.

Upon the theoretical and statistical material thus collected in the first and second books, Jannaccone builds a constructive analysis of cost in the third. There can be, we are told, but one fundamental concept of cost, and this concept is purely objective and centers in the idea of the industrial establishment. Cost of production is the expenditure of productive energy in such an establishment for the accomplishment of an economic result, calculated with reference to the quantity of useful product obtained. Thus cost does not necessarily imply pain or sacrifice, but simply the expenditure of utilities—loss, consumption. To ascertain the ratio between expenditure and result, it is necessary to reduce all the unlike elements of both to a common denominator; in modern economic life this is faultlessly accomplished by reckoning the value of all the factors and their product in terms of money. With this conception of cost the author undertakes to explain what he calls “the differential variations in cost,” that is, to show why it costs more to produce the same commodity in some establishments than in others. “Differential variations” may arise, he finds, from three sources: differences in the amounts of the “productive elements” (labor, materials, machinery, etc.) consumed, differences in the quantity of the products obtained, and differences in the duration of the productive process. The remainder of the third book is chiefly devoted to showing how and within what limits cost may be reduced in the three ways indicated by this analysis, but the importance of the conclusions reached seems hardly in proportion to the elaborateness of the investigation. Long pages are hardly necessary to develop such a proposition as the following:

The more highly developed establishments tend to work out such a productive combination that the cost per unit of each productive factor shall be as small as possible; *i. e.*, that the amount of any factor consumed, or the effort exerted by it, shall be a minimum in proportion to the amount of the product which it receives (p. 360).

Though this thesis and its dependent corollaries do not seem revolutionary in character, Dr. Jannaccone feels that it is necessary to

restate certain fundamental doctrines in terms of them. This is the task of the concluding book. Here we find, for instance, that Walker's "no-profit entrepreneur" is not a satisfactory personality until he has been conceived of as the proprietor of that "establishment which, because of the degree of productivity of its elements, turns out a product merely sufficient to replace the productive elements consumed in the process." Again, if we would appreciate the true nature of differential gains or rent, we must think of them as that part of the product given to any productive factor beyond the quota necessary to replace it.

Such a monograph may be of much benefit to its readers by clarifying their ideas and extending the range of their information. Perhaps its greatest defect as a book for students is that the argument in the books devoted to constructive work moves so consistently in the realm of abstraction and hypothetical cases. Doubtless the author would deprecate a comparison with Marshall, but one cannot avoid the impression that the latter's method of treating the same class of problems is more helpful, largely because he maintains a firmer grip upon the concrete conditions of the business world, the bewildering complexities of which all economic theory is intended to explain.

W. C. M.

An Essay on Western Civilization in its Economic Aspects: Mediæval and Modern Times. By W. CUNNINGHAM. Cambridge: University Press, 1900. 12mo, pp. ii + 283.

PROFESSOR CUNNINGHAM'S contributions to European economic history command an interest which cannot always be given English writers on this subject, largely because, although well versed in the development of their own country, they affect great contempt for details of the economic life of the continent—the Italian republics alone excepted. In English minds the history of Germany and to some extent even the history of France during the ill-reputed Middle Ages is a horrible jumble from which emerge as the only points of interest the French commune and the German Hansa. What lies between these and the Roman Empire is a dreary waste to which the practical Englishman never turns his attention. Professor Cunningham has fortunately broken this spell of thoughtless superciliousness by plunging into the matter with the matured interest of a learned and judicious historian, and has produced a book which, if very slender in comparison with the